

## Federal Budget Estimates, Fiscal Year 2004

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The Federal *Budget of the United States Government, Fiscal Year 2004* calls for an economic growth package that is designed to accelerate tax relief and stimulate job growth. The budget also calls for priority spending on the war on terrorism and other threats abroad and sets an overall cap of 4 percent on the growth of discretionary Government spending. The fiscal year 2004 budget shows a \$307.4 billion deficit, a \$3.2 billion increase from the projected \$304.2 billion deficit in fiscal year 2003.<sup>1</sup> Fiscal year 2002 ended with a deficit of \$157.8 billion. These Federal budget estimates are derived from all Federal transactions, that is, from all unified budget receipts and all unified budget outlays.<sup>2</sup>

Because of delay in the enactment of most fiscal 2003 appropriations, the current-services estimates for discretionary programs in this year's budget, used by BEA, were not prepared by the Office of Management and Budget in the usual way.<sup>3</sup> Instead, for 2003, they were based on the enacted appropriations for the Department of Defense and an extension of the continuing resolution (in force at the time of budget preparation) to cover the entire year for other appropriations. For 2004, the 2003 levels were adjusted for

inflation.<sup>4</sup>

Each year, the Bureau of Economic Analysis prepares an adjusted presentation of the budget's receipts and outlays that puts them on a consistent basis with the framework of the national income and product accounts (NIPAs). The NIPA framework, which differs in concept and timing from the budget, is designed to show the composition of production and the distribution of the incomes earned in production (see the box "Relation Between Budget Estimates and NIPA Estimates" on page 17). The NIPA framework provides a means of gauging the effects of the Federal budget on aggregate measures of U.S. economic activity, such as gross domestic product (GDP), that are part of the NIPAs. The NIPA estimates presented in this article use the same economic assumptions as the budget for rates of unemployment, inflation, and long-term interest.<sup>5</sup> The budget and the NIPA estimates both exclude the costs of any potential military action in Iraq. On the NIPA basis, the current deficit of the Federal Government in fiscal year 2004 is \$301.2 billion, a \$6.0 billion increase from the projected \$295.2 billion deficit in fiscal year 2003.

This article briefly summarizes the budget estimates for receipts and outlays, including major proposed legislation and program changes. It then explains how the budget estimates are transformed into the NIPA framework of current receipts and expenditures and how the results of this process affect the quarterly NIPA estimates for the current year. The article concludes with the presentation of fiscal year and quarterly NIPA projections based on the budget receipts and outlays.<sup>6</sup>

### The budget estimates

In the administration's budget, receipts in fiscal year 2004 are projected to increase \$85.8 billion, to \$1,922.0 billion (table 1). Receipts in 2003 are estimated at \$1,836.2 billion, down \$17.0 billion from 2002. Most

1. Executive Office of the President, Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2004* (Washington, DC: U.S. Government Printing Office, 2003); <[www.whitehouse.gov/omb/budget/fy2004/index.html](http://www.whitehouse.gov/omb/budget/fy2004/index.html)>.

2. Other presentations of the Federal budget distinguish between off-budget and on-budget transactions or between the trust funds surplus and the Federal funds deficit. In the off-budget/on-budget breakdown, off-budget receipts and outlays, which consist of the social security trust funds and the Postal Service fund, would show surpluses of \$163.5 billion in 2003 and \$174.7 billion in 2004; on-budget receipts and expenditures, which include all other transactions, would show deficits of \$467.6 billion in 2003 and \$482.1 billion in 2004. In the trust funds/Federal funds breakdown, trust fund receipts and outlays—which consist of all trust funds, including social security, Medicare, and unemployment compensation—would show surpluses of \$192.3 billion in 2003 and \$240.7 billion in 2004; Federal funds receipts and outlays, which consist of all transactions not classified as trust funds, would show deficits of \$496.5 billion in 2003 and \$548.1 billion in 2004. There are no equivalent measures of these presentations in the national income and product accounts.

3. The current-services estimates, which are based on the economic assumptions underlying the budget, are designed to show what Federal receipts and outlays would be if no changes are made to the laws that have already been enacted; an exception is that excise taxes dedicated to trust funds are assumed to be extended for all years, including the years after the law is to expire. In concept, these estimates are neither recommended amounts nor forecasts; they form a baseline from which administration or congressional proposals can be analyzed.

4. *Analytical Perspectives: Budget of the United States Government*, 322.

5. See "Economic Assumptions," *Analytical Perspectives*, 21–32.

6. This article is published after the release of the Federal budget. It provides updated fourth-quarter 2002 estimates that incorporate information that became available since the release of the budget, and it provides more detailed estimates of receipts and expenditures than those shown in the NIPA estimates in *Analytical Perspectives*, 383–87.

**Table 1. Budget Receipts by Source**  
[Billions of dollars]

	Level for fiscal year				Change from preceding year		
	2001	2002	2003	2004	2002	2003	2004
<b>Budget receipts</b> .....	<b>1,991.2</b>	<b>1,853.2</b>	<b>1,836.2</b>	<b>1,922.0</b>	<b>-138.0</b>	<b>-17.0</b>	<b>85.8</b>
Individual income taxes ...	994.3	858.3	849.1	849.9	-136.0	-9.3	0.8
Social insurance taxes and contributions.....	694.0	700.8	726.6	764.5	6.8	25.8	38.0
Corporation income taxes	151.1	148.0	143.2	169.1	-3.0	-4.9	25.9
Excise taxes.....	66.2	67.0	68.4	70.9	0.8	1.4	2.5
Miscellaneous receipts ....	37.8	33.9	34.7	38.5	-3.9	0.8	3.8
Estate and gift taxes .....	28.4	26.5	20.2	23.4	-1.9	-6.3	3.2
Customs duties.....	19.4	18.6	19.1	20.7	-0.8	0.4	1.7
Adjustments for revenue uncertainty .....			-25.0	-15.0		-25.0	10.0

Source: Budget of the United States Government, Fiscal Year 2004.

of the upturn in 2004 is accounted for by an upturn in corporation income taxes, which would increase \$25.9 billion in 2004 after decreasing \$4.9 billion in 2003, and by an acceleration in social insurance taxes and contributions, which would increase \$38.0 billion after increasing \$25.8 billion. The upturn in receipts also reflects the impact of “adjustments for revenue uncertainty,” which are included in the budget; these adjustments would reduce receipts \$25.0 billion in 2003 but would reduce receipts only \$15.0 billion in 2004.

Total budget outlays in fiscal year 2004 are projected to increase \$89.0 billion, to \$2,229.4 billion (table 2).

**Table 2. Budget Outlays by Function**  
[Billions of dollars]

	Level for fiscal year				Change from preceding year		
	2001	2002	2003	2004	2002	2003	2004
<b>Budget outlays</b> .....	<b>1,863.9</b>	<b>2,011.0</b>	<b>2,140.4</b>	<b>2,229.4</b>	<b>147.1</b>	<b>129.4</b>	<b>89.0</b>
Social security .....	433.0	456.4	478.5	497.3	23.5	22.1	18.8
National defense .....	305.5	348.6	376.3	390.4	43.1	27.7	14.1
Income security.....	269.6	312.5	330.1	325.0	42.9	17.6	-5.2
Medicare .....	217.4	230.9	244.7	258.9	13.5	13.8	14.2
Health.....	172.3	196.5	223.1	246.6	24.3	26.5	23.5
Net interest.....	206.2	171.0	161.4	176.4	-35.2	-9.5	15.0
Education, training, employment, and social services.....	57.1	70.5	86.3	85.3	13.4	15.7	-0.9
Transportation .....	54.4	61.9	64.2	63.4	7.4	2.4	-0.8
Veterans benefits and services .....	45.0	51.0	57.1	62.0	5.9	6.1	5.0
Administration of justice ..	29.7	34.3	36.1	39.4	4.7	1.8	3.3
Natural resources and environment.....	25.6	29.5	30.6	31.6	3.8	1.1	1.0
International affairs.....	16.5	22.4	20.7	25.6	5.9	-1.6	4.9
General science, space, and technology .....	19.8	20.8	21.7	22.9	1.0	0.9	1.2
Agriculture .....	26.4	22.2	20.8	20.8	-4.2	-1.3	0.0
General government .....	14.6	17.4	19.0	20.5	2.8	1.6	1.5
Community and regional development.....	11.9	13.0	18.5	17.1	1.1	5.5	-1.4
Energy.....	0.0	0.5	0.7	0.9	0.4	0.2	0.2
Allowances <sup>1</sup> .....			-0.4	-0.3		-0.4	0.1
Commerce and housing credit.....	5.9	-0.4	1.3	-0.7	-6.3	1.6	-2.0
Undistributed offsetting receipts <sup>2</sup> .....	-47.0	-47.8	-50.3	-53.7	-0.8	-2.5	-3.4

1. Allowances are included in budget totals to cover certain budgetary transactions that are expected to increase or decrease outlays, receipts, or budget authority but are not reflected in the program details. Allowances include funding for emergencies, such as natural disasters, and for unforeseen defense and nondefense costs.

2. Undistributed offsetting receipts are collections that are governmental in nature and that are not credited to expenditure accounts. Undistributed offsetting receipts fall into two categories: Receipts from performing business-like activities, such as proceeds from selling Federal assets or leases; and shifts from one account to another, such as agency payments to retirement funds.

Source: Budget of the United States Government, Fiscal Year 2004.

Outlays in 2003 are estimated at \$2,140.4 billion, up \$129.4 billion from 2002. The deceleration in 2004 is more than accounted for by a downturn in outlays for income security (which would decrease \$5.2 billion in 2004 after increasing \$17.6 billion in 2003), by a downturn in education, training, employment, and social services (which would decrease \$0.9 billion after increasing \$15.7 billion), and by a deceleration in outlays for national defense (which would increase \$14.1 billion after increasing \$27.7 billion).

**Proposed legislation and program changes**

The fiscal year 2004 budget presents proposed legislation and program changes that would increase the deficit \$39.8 billion in 2003 and \$149.1 billion in 2004 (table 3).<sup>7</sup>

7. The estimates of the administration’s proposed legislation and program changes are the differences between the current-services estimates and the actual budget.

**Table 3. Relation of Current-Services Estimates to the Budget**  
[Billions of dollars]

	Fiscal year	
	2003	2004
<b>Receipts</b>		
Current-services estimates <sup>1</sup> .....	1,867.0	2,031.1
Plus: Proposed legislation .....	-30.8	-109.1
Economic growth package.....	-31.1	-110.7
Accelerate reduction in individual income tax rates .....	-5.8	-35.7
Accelerate doubling of the individual standard deduction for married taxpayers filing joint returns .....	-2.8	-27.1
Eliminate double taxation of corporate earnings.....	-3.8	-24.9
Increase alternative minimum tax exemption amount for individuals....	-3.1	-8.5
Accelerate 10-percent individual income tax rate bracket expansion....	-1.0	-7.8
Accelerate increase in child tax credit .....	-13.5	-5.1
Increase expensing for small business.....	-1.0	-1.7
Other provisions .....	0.3	1.6
Expand tax-free savings opportunities .....	1.4	10.6
Allow net operating loss offset of 100 percent of alternative minimum taxable income.....	-0.6	-3.0
Provide charitable contribution deduction for nonitemizers .....	-0.2	-1.4
Other.....	-0.3	-4.6
Equals: The budget.....	1,836.2	1,922.0
<b>Outlays</b>		
Current-services estimates <sup>1</sup> .....	2,131.4	2,189.4
Plus: Program changes .....	9.0	40.0
Health .....	1.2	7.4
National defense .....	0.5	6.6
Medicare.....	0.1	6.0
Veterans benefits and services.....	1.0	3.4
General government.....	1.5	3.2
Net interest .....	0.3	3.1
Community and regional development .....	1.7	2.8
Undistributed offsetting receipts <sup>2</sup> .....	3.5	2.7
International affairs .....	0.8	2.2
Income security .....	0.3	2.2
Other.....	-1.9	0.4
Equals: The budget.....	2,140.4	2,229.4
Current-services surplus or deficit (-) .....	-264.4	-158.3
Proposed changes, receipts less outlays.....	-39.8	-149.1
Administration budget surplus or deficit (-) .....	-304.2	-307.4

1. The current-services estimates, which are based on the economic assumptions underlying the budget, are designed to show what Federal receipts and outlays would be if no changes are made to the laws that have already been enacted, with the exception that excise taxes dedicated to trust funds are assumed to be extended in all years, including the years after the law is to expire. In concept, these estimates are neither recommended amounts nor forecasts; they form a baseline with which administration or congressional proposals can be analyzed.

2. Undistributed offsetting receipts are collections that are governmental in nature and that are not credited to expenditure accounts. Undistributed offsetting receipts fall into two categories: Receipts from performing business-like activities, such as proceeds from selling Federal assets or leases; and shifts from one account to another, such as agency payments to retirement funds.

Source: Budget of the United States Government, Fiscal Year 2004.

**Receipts.** Proposed legislation would decrease receipts by \$30.8 billion in 2003 and \$109.1 billion in 2004. These decreases are more than accounted for by the proposed economic growth package, which would decrease receipts by \$31.1 billion in 2003 and \$110.7 billion in 2004. Key elements of the economic growth package would have the following effects:

- A proposal to accelerate the reduction in individual income tax rates would lower receipts \$5.8 billion in 2003 and \$35.7 billion in 2004.
- A proposal to accelerate the doubling of the individual standard deduction for married taxpayers filing joint returns would lower receipts \$2.8 billion in 2003 and \$27.1 billion in 2004.
- A proposal to eliminate dividends that have already been taxed at the corporate level from shareholders' taxable income would lower receipts \$3.8 billion in 2003 and \$24.9 billion in 2004.

**Outlays.** The fiscal year 2004 budget includes proposed program changes that would increase total outlays \$9.0 billion in 2003 and \$40.0 billion in 2004.<sup>8</sup> About half of the increase in 2004 is accounted for by the following program changes:

- An increase of \$7.4 billion for health, mainly for reform of Medicaid. Short-term financial incentives for States that choose a new funding structure (to include the State Children's Health Insurance Program) would be coupled with greater flexibility to design benefit packages and improve coordination with private insurance options. In the long term, State allotments would grow more slowly.
- An increase of \$6.6 billion for national defense, mainly for military pay and missile defense.
- An increase of \$6.0 billion for Medicare modernization, including providing to all seniors the option of a subsidized prescription drug benefit.

### Transformation of budget data into the NIPA framework

Budget receipts and expenditures are transformed into the NIPA framework by a detailed analytical process. Fiscal year budget data for receipts are supplemented by information on the effects of the budget proposals from the Department of the Treasury's Office of Tax Analysis. These data are analyzed for their effects on each of the NIPA receipts components—personal tax and nontax receipts, corporate profit tax accruals, indirect business tax and nontax accruals, and contributions for social insurance. Quarterly projections are based on interpolations using the economic assumptions from the budget. For the monthly and quarterly NIPA estimates released by BEA during the year, these

initial projections are reevaluated and revised as actual data from the Department of the Treasury become available.

Fiscal year budget outlays are organized by appropriation in the budget's appendix.<sup>9</sup> These fiscal year data, along with supplemental information from the Office of Management and Budget, are used to allocate Federal fiscal year spending to the various NIPA categories—transfer payments, net interest paid, grants-in-aid to State and local governments, subsidies, current surplus of government enterprises, and consumption expenditures and gross investment.<sup>10</sup> The quarterly projections shown in this article are mainly derived by interpolating the fiscal year projections.

For the quarterly NIPA estimates released by BEA during the current year, the fiscal year relationships derived from budget data are used to allocate spending detailed in the *Monthly Treasury Statement of Receipts and Outlays of the United States Government*.<sup>11</sup> Supplemental data are also used. A detailed reconciliation of defense consumption expenditures and gross investment to outlays is prepared using extensive financial, delivery, and other data from the Department of Defense. In order to prepare seasonally adjusted estimates of nondefense consumption expenditures and gross investment, data derived from the budget are used to extrapolate portions of nondefense expenditures (for durable goods, other nondurable goods, other services, and equipment) for which there are no quarterly data sources. These extrapolations are combined with actual quarterly data for certain spending categories, such as estimates of structures from the Census Bureau and estimates of compensation from the Office of Personnel Management.

BEA's users should keep in mind that budget data are based on economic assumptions about the year. Actual outcomes will differ. In addition, the budget includes proposals for the budget year that may not become law, and it may exclude proposals that are subsequently enacted. Even with these caveats, the information on hundreds of receipt and expenditure programs contained in the budget forms the foundation of the NIPA Federal Government estimates. These estimates are initially prepared using the budget data, and they are updated during the year as new laws are enacted, as actual spending occurs, and as economic conditions change. Thus, the NIPA monthly and quarterly estimates released by BEA during the year may diverge from the initial quarterly projections.

9. Appendix: *Budget of the United States Government, Fiscal Year 2004*.

10. Outlays by program are first adjusted for coverage (for example, geographical adjustments) and for netting and grossing (for example, supplemental medical insurance premiums).

11. Department of the Treasury, Financial Management Service, *Monthly Treasury Statement* (Washington, DC: U.S. Government Printing Office) <www.fms.treas.gov/mts>.

8. Outlays for homeland security are spread throughout certain functions, including national defense, health, transportation, and administration of justice.

### Relation Between Budget Estimates and NIPA Estimates

The Bureau of Economic Analysis (BEA) prepares estimates of the Federal sector in a framework of the national income and product accounts (NIPA's). Unlike the budget, which is a financial plan of the Government on a cash basis, the NIPA's facilitate macroeconomic analyses of the impact of changes in Federal current receipts, current expenditures, and gross investment on gross domestic product and its components, which are mainly on an accrual basis.<sup>1</sup>

One major conceptual difference between the budget and the NIPA's is in the treatment of government investment in fixed assets; in the NIPA's, government consumption expenditures excludes investment in fixed assets but includes a depreciation charge on past investment as consumption of fixed capital. Certain transactions that are associated with the acquisition or disposal of assets are included in the budget but are classified in the NIPA's as capital transfers and are excluded from government current receipts and expenditures. These transactions include certain investment grants-in-aid to State and local governments, investment subsidies to businesses, and estate and gift taxes. In the NIPA's, government employee retirement plans are treated similarly to private pension plans; thus their assets are treated as belonging to the NIPA household sector. For example, employee contributions to these plans are included in budget receipts but are not included in NIPA current receipts. Likewise, Federal employee retirement benefits are included in budget outlays but are not included in NIPA current expenditures. Net purchases of nonproduced assets, such as land and the radio spectrum, are excluded from the NIPA's because they do not affect current production. Similarly, certain financial transactions are excluded from the NIPA's. The NIPA's also exclude transactions with residents of Puerto Rico and the U.S. Territories, whose product and income are by definition not included in the NIPA's, and transactions of the Federal Communication Commission Universal Service Fund, which pass through a nonprofit institution regulated by the Federal Communication Commission. Differences between the budget and the NIPA's are detailed in tables 4 and 5.

1. The adjustments made by BEA are shown in NIPA table 3.18B, "Relation of Federal Government Current Receipts and Expenditures in the NIPA's to the Budget," SURVEY OF CURRENT BUSINESS 82 (October 2002): 15. For a summary of these adjustments, see "National Income and Product Accounts," *Analytical Perspectives*, 383-387.

For a detailed discussion of the NIPA adjustments, see *Government Transactions*, Methodology Paper No. 5 (November 1988), which is available on BEA's Web site, <www.bea.gov>, under "Methodologies." For changes since the publication of this paper, see Brent R. Moulton, Robert P. Parker, and Eugene P. Seskin, "A Preview of the 1999 Comprehensive Revision of the National Income and Product Accounts: Definitional and Classificational Changes," SURVEY 79 (August 1999): 11-14; Robert P. Parker, "Preview of the Comprehensive Revision of the National Income and Product Accounts: Recognition of Government Investment and Incorporation of a New Methodology For Calculating Depreciation," SURVEY 75 (September 1995): 33-41; and Robert P. Parker, "A Preview of the Comprehensive Revision of the National Income and Product Accounts: Definitional and Classificational Changes," SURVEY 71 (September 1991): 24-25.

NIPA current receipts differ from budget receipts because of differences in coverage, netting and grossing and timing.<sup>2</sup> For most years, the differences between NIPA current receipts and budget receipts primarily reflect capital transfers received, supplementary medical insurance premiums, and personal and business nontaxes. (Personal and business nontaxes, which are included in "other" netting and grossing differences in table 4, are classified as receipts in the NIPA's and are netted against outlays in the budget.)

Similarly, NIPA current expenditures differ from budget outlays because of differences in coverage, netting and grossing, and timing. For most years, the differences between NIPA current expenditures and budget outlays primarily reflect capital transfers paid, Federal employee retirement plan transactions, and personal and business nontaxes.

In the NIPA framework, budget outlays for national defense and nondefense are reflected in both consumption expenditures and gross investment. For national defense, the budget outlays differ from the NIPA estimates for four principal reasons. First, the NIPA measure includes general government consumption of fixed capital. Second, in defense outlays, the cost of the military retirement program is measured as the cash payment from the military personnel appropriation account to the military retirement trust fund. In the NIPA's, payments are added to amortize the unfunded liability for military and civilian retirement benefits; these payments are recorded in the budget as intergovernmental transactions. Payments to amortize unfunded liabilities arise, in part, from new or liberalized retirement benefits, from increases in pay, and in the case of the military, from the initial unfunded liability prior to the establishment of the military retirement fund in fiscal year 1985. Third, NIPA expenditures are recorded on a delivery basis, and budget outlays are recorded on a cash basis. Thus, in the NIPA's, all work in progress, except ships and structures, are included in the change-in-private-inventories component of gross domestic product. Fourth, some defense outlays, primarily disbursements for foreign military sales, are treated as exports in the NIPA's. Initially, the production of military equipment is recorded as an increase in private inventories; when the equipment is delivered, a decrease in private inventories is recorded. For sales of equipment to foreign governments, the decrease in inventories is offset by an increase in exports; for sales of equipment to the U.S. Government, the decrease in inventories is offset by an increase in government consumption expenditures and gross investment.

2. Coverage differences arise because certain transactions are excluded from the NIPA's but are included in the budget and vice versa. Netting and grossing differences arise because certain transactions are recorded as offsets to outlays in the budget but are recorded as receipts in the NIPA's (and vice versa). Timing differences arise because in the budget, most receipts and outlays are recorded on a cash basis, and in the NIPA's, some transactions are recorded on an accrual basis.

### Comparison of the budget and NIPA estimates

As previously mentioned, BEA adjusts the budget estimates in order to produce estimates of Federal current receipts and expenditures that are consistent over time with NIPA concepts and methodologies.

For fiscal year 2004, NIPA current receipts would exceed budget receipts by \$33.0 billion as a result of netting and grossing, coverage, and timing adjustments (table 4). Netting and grossing adjustments would add \$62.0 billion, timing adjustments would add \$8.9 billion, and coverage adjustments would subtract \$37.9 billion. Within netting and grossing, "Other"—which includes Federal Government payments to the old-age, survivors, and disability trust funds—would add \$38.1 billion, and supplementary medical insurance premiums would add \$31.0 billion. Within coverage adjustments, capital transfers received, which consist of estate and gift taxes, would subtract \$23.2 billion.

For fiscal year 2004, NIPA current expenditures would exceed budget outlays by \$26.8 billion (table 5). Netting and grossing adjustments, which have the same effect described in the receipts section, would add \$62.0 billion, timing adjustments would add \$6.6 billion, and coverage adjustments would subtract \$41.8 billion. Within coverage adjustments, Federal employee retirement plan transactions would add \$35.0 billion, and capital transfers paid, which include capital grants to State and local governments, would subtract \$43.3 billion. For national defense, largely because of the treatment of military and defense civilian

**Table 4. Relation of Federal Government Current Receipts in the NIPA's to the Budget**  
[Billions of dollars]

	Fiscal year		
	2002	2003	2004
<b>Budget receipts</b> .....	<b>1,853.2</b>	<b>1,836.2</b>	<b>1,922.0</b>
<i>Less:</i> Coverage differences .....	39.8	34.7	37.9
Geographic <sup>1</sup> .....	3.7	4.0	3.8
Contributions received by Federal employee retirement plans <sup>2</sup> .....	4.6	4.5	4.5
Capital transfers received <sup>3</sup> .....	26.3	20.0	23.2
Financial transactions .....	0.0	0.0	0.0
Other <sup>4</sup> .....	5.2	6.1	6.4
Netting and grossing differences .....	-53.7	-58.9	-62.0
Supplementary medical insurance premiums .....	-26.0	-28.3	-31.0
Taxes received from the rest of the world <sup>5</sup> .....	6.9	7.1	7.1
Other <sup>6</sup> .....	-34.7	-37.7	-38.1
<i>Plus:</i> Timing differences .....	-20.2	2.2	8.9
Corporate profits taxes .....	0.5	-0.4	-0.5
Federal and State unemployment insurance taxes .....	-0.2	-0.4	0.6
Withheld personal income tax and social security contributions .....	-20.0	1.1	3.0
Excise taxes .....	0.2	0.4	-0.3
Other .....	-0.7	1.5	6.1
<b>Equals: Federal Government current receipts, NIPA's</b> .....	<b>1,846.9</b>	<b>1,862.7</b>	<b>1,955.0</b>

1. Consists largely of contributions for social insurance by residents of U.S. territories and Puerto Rico.  
2. These transactions are included in the NIPA personal sector.  
3. Consists of estate and gift taxes.  
4. Consists largely of Treasury receipts from sales of foreign currencies to Government agencies.  
5. Taxes received from the rest of the world are included in receipts in the budget and netted against expenditures (transfer payments) in the NIPA's.  
6. Includes proprietary receipts that are netted against outlays in the budget and classified as receipts in the NIPA's. Also includes some transactions not reflected in the budget but are added to both receipts and expenditures in the NIPA's.  
Sources: *Budget of the United States Government, Fiscal Year 2004* and the Bureau of Economic Analysis.

retirement funds, the NIPA estimate of consumption expenditures would exceed the budget estimate of outlays by \$25.1 billion (table 6).

For fiscal year 2004, the budget deficit would exceed the NIPA current deficit by \$6.2 billion (table 7). The difference reflects the combined effects of coverage and timing adjustments. The coverage adjustments lower both NIPA current receipts and NIPA current expenditures, while the timing adjustments both raise NIPA current receipts and NIPA current expenditures. Netting and grossing adjustments have an equal effect on current receipts and expenditures and therefore have no effect on the deficit.

### Fiscal year 2004 NIPA estimates

In the NIPA framework, the current deficit would increase \$6.0 billion in fiscal year 2004, following an in-

**Table 5. Relation of Federal Government Current Expenditures in the NIPA's to the Budget**  
[Billions of dollars]

	Fiscal year		
	2002	2003	2004
<b>Budget outlays</b> .....	<b>2,011.0</b>	<b>2,140.4</b>	<b>2,229.4</b>
<i>Less:</i> Coverage differences .....	25.9	43.1	41.8
Geographic <sup>1</sup> .....	13.2	14.2	14.4
Federal employee retirement plan transactions <sup>2</sup> .....	-33.9	-31.1	-35.0
Interest received .....	-49.9	-51.6	-53.3
Contributions received (employer) .....	-70.0	-68.5	-71.7
Benefits paid .....	85.9	88.9	89.9
Administrative expenses .....	0.1	0.1	0.1
Financing disbursements from credit programs <sup>3</sup> .....	-22.5	-15.0	-18.3
Other differences in funds covered <sup>4</sup> .....	4.8	5.8	6.2
Net investment <sup>5</sup> .....	4.6	8.3	9.5
Capital transfers paid <sup>6</sup> .....	43.9	42.6	43.3
Financial transactions .....	15.6	18.1	21.8
Loan disbursements less loan repayments and sales ..	19.7	18.0	20.0
Deposit insurance .....	0.7	2.5	4.8
Net purchases of foreign currency .....	0.0	0.0	0.0
Other .....	-4.8	-2.4	-3.0
Net purchases of nonproduced assets .....	0.2	0.1	0.0
Outer Continental Shelf .....	0.0	0.0	0.0
Land and other <sup>7</sup> .....	0.2	0.1	0.0
Other <sup>8</sup> .....	0.0	0.0	0.0
Netting and grossing differences .....	-53.7	-58.9	-62.0
Supplementary medical insurance premiums .....	-26.0	-28.3	-31.0
Taxes received from the rest of the world <sup>9</sup> .....	6.9	7.1	7.1
Other <sup>10</sup> .....	-34.7	-37.7	-38.1
<i>Plus:</i> Timing differences .....	-3.5	1.7	6.6
Purchases (increase in payables net of advances) .....	0.3	0.7	5.0
Interest .....	0.0	0.0	0.0
Transfer payments .....	-1.0	1.4	1.4
Subsidies less current surplus of government enterprises .....	-2.9	-0.3	0.2
<b>Equals: Federal Government current expenditures, NIPA's</b> .....	<b>2,035.2</b>	<b>2,157.9</b>	<b>2,256.2</b>

1. Consists largely of transfer payments, subsidies, and grants-in-aid to residents of U.S. territories and Puerto Rico.  
2. These transactions are included in the NIPA personal sector.  
3. Consists of transactions (not included in the budget totals) that record all cash flows arising from post-1991 direct loan obligations and loan guarantee commitments. Many of these flows are for new loans or loan repayments; consequently, related entries are included in "Loan disbursements less loan repayments and sales."  
4. Consists largely of agencies or accounts, such as the Postal Service and the Federal Financing Bank, that were not included in the budget in some time periods.  
5. Net investment is gross investment less consumption of fixed capital for government enterprises and general government.  
6. Consists of investment grants to State and local governments and maritime construction subsidies. Does not include the forgiveness of debts owed by foreign governments to the U.S. Government; this forgiveness is classified as a capital transfer paid by the United States and is excluded from both budget outlays and NIPA current expenditures.  
7. Consists of net sales of land other than the Outer Continental Shelf and, beginning with 1995, the auction of the radio spectrum.  
8. Consists largely of net expenditures of foreign currencies.  
9. Taxes received from the rest of the world are included in receipts in the budget and netted against expenditures (transfer payments) in the NIPA's.  
10. Includes proprietary receipts that are netted against outlays in the budget and classified as receipts in the NIPA's. Also includes some transactions that are not reflected in the budget data but are added to both receipts and expenditures in the NIPA's.  
Sources: *Budget of the United States Government, Fiscal Year 2004* and the Bureau of Economic Analysis.

crease of \$106.9 billion in fiscal year 2003 (table 7 and chart 1). The smaller increase in the deficit in fiscal year 2004 results from an acceleration in current receipts and a deceleration in current expenditures. The acceleration in current receipts is accounted for by upturns in corporate profits tax accruals and in personal tax and nontax receipts. The deceleration in current expenditures is accounted for by decelerations in transfer payments, in grants-in-aid to State and local governments, and in consumption expenditures that more than offset an upturn in net interest paid.

On a NIPA basis, Federal current receipts would increase \$92.3 billion in fiscal year 2004 after increasing \$15.8 billion in fiscal year 2003 (table 8 and chart 2). The acceleration results from an acceleration in the tax base that would increase receipts \$163.7 billion. (The tax base is estimated using the administration's economic assumptions and excludes the impact of proposed legislation.) Within current receipts, contributions for social insurance would increase \$45.3 billion after increasing \$37.4 billion, reflecting an acceleration in taxable wages and salaries. Corporate profits tax accruals would increase \$29.3 billion after decreasing \$6.0 billion, reflecting an upturn in the tax base. The decrease in corporate profits tax accruals in 2003 partly reflects provisions of the economic growth package that exclude corporate dividends from the taxable income of corporations. Personal tax and nontax receipts would increase \$13.9 billion after decreasing \$19.2 billion; the upturn is more than accounted for by an acceleration in the tax base. Personal tax and nontax

receipts are estimated to fall in fiscal year 2003 as a result of provisions of the economic growth package, particularly the proposal to increase the child tax credit. In fiscal year 2004, personal tax and nontax receipts are projected to fall sharply as a result of provisions of the economic growth package that accelerate the reduction of income tax rates, that exclude corporate dividends from the taxable income of individuals, and that accelerate increases in standard deduction for married taxpayers filing joint returns. Indirect business tax and nontax accruals would increase \$3.9 billion after increasing \$3.6 billion.

In the NIPA framework, Federal current expenditures would increase \$98.3 billion in fiscal year 2004 after increasing an estimated \$122.7 billion in fiscal year 2003 (table 9 and chart 3). Transfer payments would increase \$28.3 billion after increasing \$57.5 billion; the

**Table 6. Relation of National Defense Consumption Expenditures and Gross Investment in the NIPA's to National Defense Outlays in the Budget**  
[Billions of dollars]

	Fiscal year		
	2002	2003	2004
<b>National defense outlays in the budget</b> .....	<b>348.6</b>	<b>376.3</b>	<b>390.4</b>
Department of Defense, military .....	332.0	358.2	370.7
Military personnel .....	86.8	92.7	98.7
Operation and maintenance .....	130.0	136.3	133.1
Procurement .....	62.5	63.2	67.9
Aircraft .....	20.5	20.3	22.1
Missiles .....	4.0	4.0	4.5
Ships .....	8.3	8.0	7.7
Weapons .....	3.6	3.8	3.8
Ammunition .....	1.3	1.1	1.2
Other .....	24.8	26.0	28.5
Research, development, test, and evaluation .....	44.4	52.8	58.2
Other .....	8.2	13.1	12.9
Atomic energy and other defense-related activities .....	16.6	18.1	19.7
Plus: Consumption of general government fixed capital .....	63.9	65.1	66.4
Additional payments to military and civilian retirement funds .....	23.4	24.8	25.6
Timing difference .....	0.1	0.6	5.0
Military assistance programs .....	0.3	0.2	0.2
Less: Grants-in-aid to State and local governments and net interest paid .....	3.1	3.3	3.6
Other differences .....	0.4	3.0	3.7
<b>Equals: National defense consumption expenditures and gross investment, NIPA's</b> .....	<b>432.6</b>	<b>460.6</b>	<b>480.3</b>
Less: National defense gross investment <sup>1</sup> .....	58.7	61.9	64.7
<b>Equals: National defense consumption expenditures, NIPA's</b> .....	<b>373.9</b>	<b>398.7</b>	<b>415.5</b>

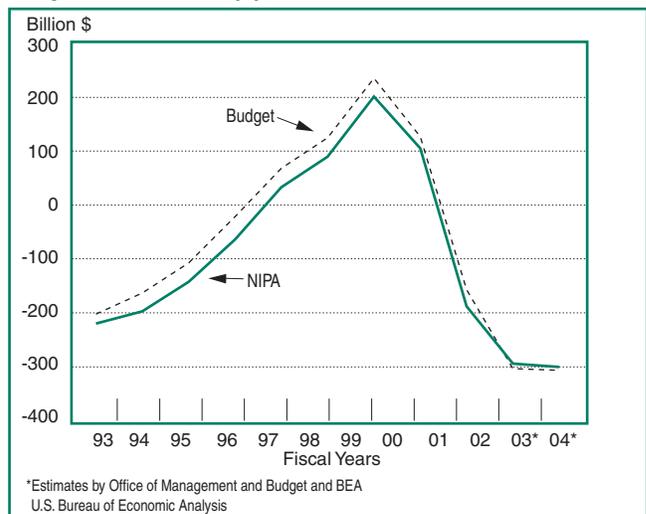
1. Gross investment consists of general government and government enterprise expenditures for fixed assets; inventory investment is included in Federal Government consumption expenditures.  
Sources: *Budget of the United States Government, Fiscal Year 2004* and the Bureau of Economic Analysis.

**Table 7. Relation of Administration Budget and NIPA Estimates of Federal Government Current Receipts and Expenditures**  
[Billions of dollars]

	Level for fiscal year			Change from preceding fiscal year	
	Actual	Estimates		2003	2004
	2002	2003	2004		
<b>Administration budget:</b>					
Receipts .....	1,853.2	1,836.2	1,922.0	-17.0	85.8
Outlays .....	2,011.0	2,140.4	2,229.4	129.4	89.0
Surplus or deficit (-) .....	-157.8	-304.2	-307.4	-146.4	-3.2
<b>NIPA's:</b>					
Current receipts .....	1,846.9	1,862.7	1,955.0	15.8	92.3
Current expenditures .....	2,035.2	2,157.9	2,256.2	122.7	98.3
Surplus or deficit (-) .....	-188.3	-295.2	-301.2	-106.9	-6.0
	Differences				
<b>Administration budget less NIPA's:</b>					
Receipts / Current receipts .....	6.3	-26.5	-33.0	-32.8	-6.5
Outlays / Current expenditures .....	-24.2	-17.5	-26.8	6.7	-9.3
Surplus or deficit (-) .....	30.5	-9.0	-6.2	-39.5	2.8

Sources: *Budget of the United States Government, Fiscal Year 2004* and the Bureau of Economic Analysis.

**Chart 1. Federal Fiscal Position, Surplus or Deficit (-)**



slowdown is mainly attributable to a downturn in unemployment benefits and a deceleration in “other” transfer payments. Grants-in-aid to State and local governments would increase \$22.8 billion after increasing \$33.6 billion; the slowdown is more than accounted for by a deceleration in education and a downturn in “other.” Consumption expenditures would increase \$31.8 billion after increasing \$41.2 billion. The slowdown is mainly accounted for by a deceleration in defense consumption expenditures. In contrast, net interest would turn up, increasing \$14.0 billion after decreasing \$9.6 billion. “Subsidies less current surplus of government enterprises” would increase \$1.4 billion after decreasing \$0.1 billion; the current surplus of government enterprises, particularly of the Postal Service, accounts for the upturn.

**Table 8. Sources of Change in Federal Government Current Receipts, NIPA Framework**  
[Billions of dollars]

	Change from preceding fiscal year		
	2002	2003	2004
<b>Total receipts</b> .....	<b>-169.3</b>	<b>15.8</b>	<b>92.3</b>
Due to tax bases .....	-169.2	44.3	163.7
Due to proposed legislation .....	0.0	-28.5	-71.3
Personal tax and nontax receipts .....	-160.7	-19.2	13.9
Due to tax bases .....	-160.7	6.7	83.2
Due to proposed legislation .....	0.0	-25.9	-69.3
Corporate profits tax accruals .....	-17.7	-6.0	29.3
Due to tax bases .....	-17.7	-3.4	31.3
Due to proposed legislation .....	0.0	-2.6	-2.0
Indirect business tax and nontax accruals .....	-2.6	3.6	3.9
Due to tax bases .....	-2.6	3.6	3.9
Due to proposed legislation .....	0.0	0.0	0.0
Contributions for social insurance .....	11.8	37.4	45.3
Due to tax bases .....	11.8	37.4	45.3
Due to proposed legislation .....	0.0	0.0	0.0

Sources: *Budget of the United States Government, Fiscal Year 2004* and the Bureau of Economic Analysis.

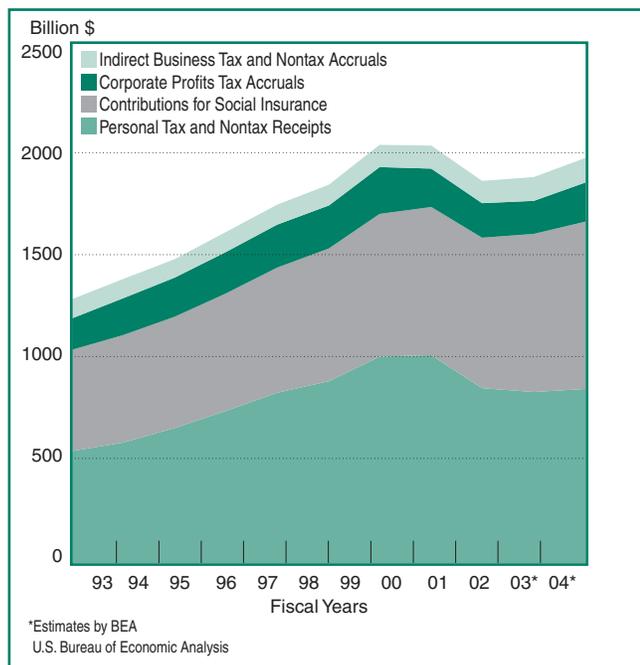
**Quarterly pattern.** Seasonally adjusted quarterly estimates of NIPA current receipts and current expenditures that are consistent with the budget estimates of receipts and outlays for the fiscal year are shown in table 10. The NIPA estimates of current receipts reflect

**Table 9. Sources of Change in Federal Government Current Expenditures, NIPA Framework**  
[Billions of dollars]

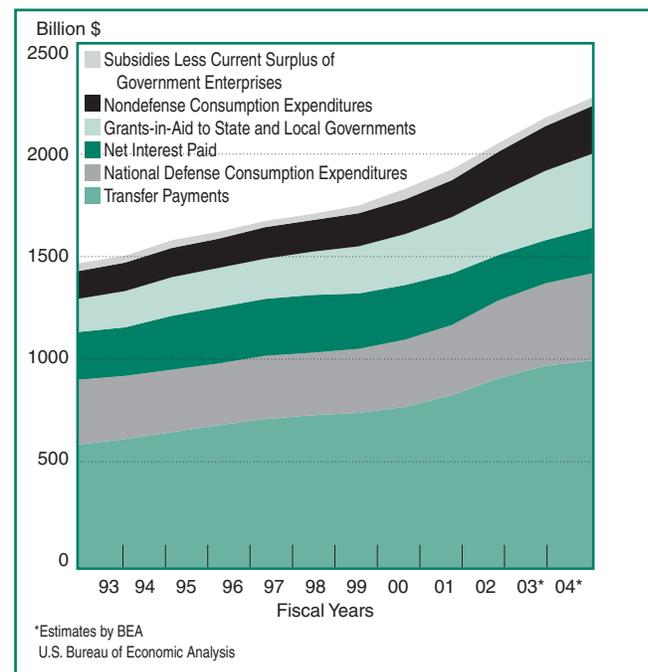
	Change from preceding fiscal year		
	2002	2003	2004
<b>Total current expenditures</b> .....	<b>125.0</b>	<b>122.7</b>	<b>98.3</b>
Consumption expenditures .....	57.4	41.2	31.8
National defense .....	36.6	24.8	16.8
Pay raise and locality pay <sup>1</sup> .....	0.0	3.2	3.9
Other .....	36.6	21.7	12.8
Nondefense .....	20.9	16.3	14.9
Pay raise and locality pay <sup>1</sup> .....	0.0	2.0	2.0
Other .....	20.9	14.3	12.9
Transfer payments .....	81.9	57.5	28.3
Social security .....	22.0	21.9	18.2
Medicare .....	15.7	15.4	16.7
Supplemental security income .....	1.3	2.9	1.9
Earned income and other tax credits .....	5.8	3.9	1.7
Veterans benefits .....	2.4	3.3	2.0
Unemployment benefits .....	24.0	2.6	-14.7
To the rest of the world (net) .....	3.9	0.1	0.5
Food Stamps .....	2.6	2.7	0.9
Other .....	4.1	4.9	1.0
Grants-in-aid to State and local governments .....	28.2	33.6	22.8
General public service .....	-1.3	-1.1	-0.5
Public order and safety .....	1.2	-1.2	0.4
Housing and community services .....	1.0	1.6	0.2
Health .....	19.8	17.9	19.6
Medicaid .....	18.0	15.0	20.0
Other health .....	1.8	3.0	-0.4
Education .....	3.2	8.1	1.9
Welfare and social services .....	2.0	1.8	1.3
Other .....	2.2	6.5	-0.1
Net interest paid .....	-30.5	-9.6	14.0
Subsidies less current surplus of government enterprises .....	-11.9	-0.1	1.4
Agriculture subsidies .....	-9.1	1.3	0.9
Housing subsidies .....	2.4	1.0	0.6
Other subsidies .....	-3.9	-0.1	-0.2
Less: Current surplus of government enterprises:			
Postal Service surplus .....	-2.8	2.6	-1.3
Other surplus of government enterprises .....	4.0	-0.2	1.3

1. Consists of pay raises and locality pay beginning in January 2003.  
Source: Bureau of Economic Analysis.

**Chart 2. Federal Government Current Receipts, NIPA Framework**



**Chart 3. Federal Government Current Expenditures, NIPA Framework**



the quarterly pattern that results from enacted and proposed legislation, from the administration's projected quarterly pattern of wages, and from the methodology used by BEA to derive quarterly estimates of declarations and settlements (estimated income tax payments and final settlements) less refunds.<sup>12</sup> The NIPA estimates of current expenditures reflect the quarterly pattern that results from enacted and proposed legislation that would adjust pay for Federal Government employees and provide cost-of-living increases in social security and other programs. The quarterly estimates do not control to the fiscal year estimates but instead are estimated changes from the published preliminary estimate for the fourth quarter of 2002. Because of the limited information available to estimate the quarterly patterns, the estimates should be viewed as rough approximations. These approximations will be superseded by BEA's more reliable quarterly estimates that will be prepared and published in NIPA table 3.2.

In the NIPA framework, the current deficit grows from \$145.8 billion in the first quarter of 2002 to \$246.2 billion in the fourth quarter. The current deficit continues to grow in the first quarter of 2003, reflecting a larger increase in current expenditures than in current receipts. The increase in current expenditures is caused by a sharp increase in transfer payments due to cost-of-living adjustments and annual payments to Israel and Egypt. The current deficit decreases through the rest of 2003. The second-quarter decrease results from an increase in receipts and a small decrease in current expenditures; the increase in receipts reflects

increases in contributions for social insurance and in personal tax and nontax receipts. The third-quarter decrease results from a larger increase in current receipts—mainly in personal income tax and nontax receipts—than in current expenditures. The fourth-quarter decrease is attributable to a larger increase in current receipts, reflecting increases in personal tax and nontax receipts and in corporate profits tax accruals, than in expenditures.

The deficit is projected to surge in the first quarter of 2004. This increase stems from an increase in current expenditures and a decrease in current receipts. The increase in current expenditures is primarily due to increases in transfer payments and consumption expenditures, which reflect proposed cost-of-living adjustments and Government employee pay raises. The decrease in current receipts reflects a decrease in personal tax and nontax receipts as a result of the effects of the economic growth package. (In the NIPA's, the full annual amount of change from proposed cost-of-living adjustments, government employee pay raises, and tax legislation is shown in the first quarter of the year.) The current deficit decreases in the second and third quarters of 2004. The second-quarter decrease is accounted for by a larger increase in current receipts than in current expenditures; the increase in current receipts reflects increases in personal tax and nontax receipts, in corporate profit tax accruals, and in contributions for social insurance. The third-quarter decrease is primarily attributable to an increase in current receipts, mainly in personal tax and nontax receipts and in corporate profit tax accruals, that more than offsets an increase in current expenditures.

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12. For details on the methodology, see Eugene P. Seskin, "Annual Revision of the National Income and Product Accounts," *SURVEY OF CURRENT BUSINESS* 78 (August 1998): 29–31.

*Table 10 follows.*

**Table 10. Federal Government Current Receipts and Expenditures, NIPA Framework**

[Billions of dollars; calendar year and quarters at seasonally adjusted annual rates]

Line	Fiscal year estimates <sup>1</sup>	Calendar year <sup>2</sup>				Quarter <sup>2</sup>											
					Published	Estimated	Published				Estimated						
							2002				2003			2004			
		2002	2003	2004	2002	2003	I	II	III	IV	I	II	III	IV	I	II	III
<b>1</b>	<b>Current receipts.....</b>	<b>1,846.9</b>	<b>1,862.7</b>	<b>1,955.0</b>	<b>1,878.3</b>	<b>1,914.0</b>	<b>1,884.7</b>	<b>1,883.7</b>	<b>1,874.0</b>	<b>1,870.8</b>	<b>1,872.3</b>	<b>1,891.0</b>	<b>1,925.5</b>	<b>1,967.2</b>	<b>1,938.4</b>	<b>1,982.2</b>	<b>2,028.0</b>
2	Personal tax and nontax receipts.....	845.7	826.5	840.4	850.3	846.2	874.8	856.6	837.5	832.3	825.4	833.4	852.8	873.1	816.4	837.8	860.0
3	Withheld income taxes.....	736.2	737.7	749.4	733.9	754.9	740.4	735.5	730.5	729.1	736.9	744.3	761.1	777.5	730.1	746.7	764.2
4	Declarations and final settlements less refunds.....	99.0	77.6	79.9	107.0	82.1	124.4	111.5	97.8	94.1	79.3	79.9	82.4	86.6	77.3	82.1	86.7
5	Proposed legislation.....		-21.4	-60.3		-21.4					-21.4	-21.4	-21.4	-21.4	-60.3	-60.3	-60.3
6	Other.....	99.0	99.0	140.2	107.0	103.4	124.4	111.5	97.8	94.1	100.6	101.2	103.7	107.9	137.6	142.4	147.0
7	Nontaxes.....	10.5	11.2	11.0	9.4	9.2	10.0	9.6	9.1	9.0	9.2	9.3	9.3	9.1	9.0	9.0	9.0
8	Corporate profits tax accruals.....	167.7	161.7	191.0	177.3	170.7	170.5	180.2	181.1	177.2	166.6	166.3	169.7	180.3	192.1	205.2	219.4
9	Federal Reserve Banks.....	24.3	23.2	26.6	22.5	21.5	22.7	23.2	22.2	21.8	21.1	21.0	21.5	22.4	23.7	25.4	27.5
10	Proposed legislation.....		0.0	0.0		0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0
11	Other.....	24.3	23.2	26.6	22.5	21.5	22.7	23.2	22.2	21.8	21.1	21.0	21.5	22.4	23.7	25.4	27.5
12	Other corporate profit tax accruals.....	143.3	138.5	164.4	154.8	149.3	147.8	157.0	158.8	155.4	145.6	145.3	148.2	158.0	168.4	179.7	191.9
13	Proposed legislation.....		-2.6	-4.6		-3.8					-3.5	-3.5	-3.5	-4.6	-4.6	-4.6	-4.6
14	Other.....	143.3	141.1	169.0	154.8	153.0	147.8	157.0	158.8	155.4	149.1	148.7	151.7	162.6	173.0	184.3	196.5
15	Indirect business tax and nontax accruals.....	108.9	112.5	116.4	110.6	113.3	108.4	110.2	112.4	111.3	111.8	112.8	113.8	114.8	116.0	116.8	117.6
16	Proposed legislation.....		0.0	0.0		0.0					0.0	0.0	0.0	0.0	0.0	0.0	-0.1
17	Other.....	108.9	112.5	116.4	110.6	113.3	108.4	110.2	112.4	111.3	111.8	112.8	113.8	114.8	116.0	116.9	117.6
18	Contributions for social insurance.....	724.6	762.0	807.3	740.2	783.8	731.1	736.7	743.0	750.0	768.4	778.5	789.2	798.9	813.9	822.4	831.1
19	Old age, survivors, disability, and hospital insurance...	663.5	692.5	727.7	674.5	706.8	665.8	671.1	677.2	684.0	694.3	702.6	711.1	719.2	729.4	737.5	745.5
20	Tax on wages and salaries (FICA, gross).....	626.9	655.1	688.7	638.1	669.6	629.8	634.8	640.6	647.1	657.5	665.5	673.8	681.6	691.4	699.1	706.6
21	Proposed legislation.....		0.0	0.0		0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0
22	Base increases.....		0.5	2.3		2.0					2.0	2.0	2.0	2.0	3.2	3.2	3.2
23	January 2003.....		0.5	2.0		2.0					2.0	2.0	2.0	2.0	2.0	2.0	2.0
24	January 2004.....			0.3											1.2	1.2	1.2
25	Other.....	626.9	654.6	686.4	638.1	667.6	629.8	634.8	640.6	647.1	655.4	663.5	671.8	679.6	688.1	695.8	703.4
26	FICA Refunds.....	-1.0	-1.8	-1.9	-2.2	-2.9	-2.2	-2.2	-2.2	-2.2	-2.9	-2.9	-2.9	-2.9	-3.1	-3.1	-3.1
27	Voluntary hospital insurance.....	1.5	1.6	1.7	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.6	1.6	1.6
28	Tax on self-employment earnings (SECA).....	36.2	37.6	39.2	37.2	38.6	36.7	37.0	37.3	37.6	38.2	38.5	38.7	39.0	39.6	40.0	40.4
29	Base increases.....	0.1	0.4	0.6	0.1	0.4	0.1	0.1	0.1	0.1	0.4	0.4	0.4	0.4	0.6	0.6	0.6
30	Other.....	36.0	37.2	38.6	37.0	38.2	36.6	36.9	37.1	37.4	37.8	38.1	38.3	38.6	39.0	39.4	39.8
31	Supplementary medical insurance.....	24.3	26.6	29.2	25.8	29.0	25.4	25.6	25.9	26.2	28.6	28.9	29.1	29.4	30.9	31.3	31.6
32	Unemployment insurance.....	27.7	34.0	41.3	30.5	38.7	30.5	30.5	30.5	30.5	36.4	37.8	39.6	41.0	44.1	44.1	44.5
33	Other.....	9.1	9.0	9.1	9.4	9.3	9.4	9.4	9.3	9.2	9.2	9.3	9.4	9.4	9.5	9.5	9.5
<b>34</b>	<b>Current expenditures.....</b>	<b>2,035.2</b>	<b>2,157.9</b>	<b>2,256.2</b>	<b>2,075.4</b>	<b>2,174.1</b>	<b>2,030.5</b>	<b>2,079.3</b>	<b>2,074.6</b>	<b>2,117.1</b>	<b>2,164.0</b>	<b>2,163.1</b>	<b>2,171.7</b>	<b>2,197.7</b>	<b>2,253.0</b>	<b>2,268.8</b>	<b>2,292.2</b>
35	Consumption expenditures.....	573.7	614.9	646.7	586.5	613.2	566.3	581.0	589.8	608.8	614.8	612.1	605.6	620.4	639.4	651.7	658.2
36	National defense.....	373.9	398.7	415.5	386.6	397.6	372.1	382.5	388.9	403.0	403.9	398.1	388.6	399.8	413.7	422.3	426.3
37	Pay raises and locality pay.....		3.2	7.1		4.3					4.1	4.3	4.3	4.3	8.0	8.1	8.1
38	January 2003.....		3.2	4.3		4.3					4.1	4.3	4.3	4.3	4.3	4.3	4.3
39	January 2004.....			2.8											3.7	3.8	3.8
40	Other.....	373.9	395.6	408.4	386.6	393.4	372.1	382.5	388.9	403.0	399.8	393.8	384.3	395.5	405.7	414.2	418.2
41	Nondefense.....	199.9	216.2	231.1	199.9	215.7	194.2	198.6	200.9	205.8	211.0	214.0	217.0	220.6	225.7	229.4	231.9
42	Pay raises and locality pay.....		2.0	4.0		2.6					2.4	2.7	2.7	2.7	4.3	4.5	4.5
43	January 2003.....		2.0	2.7		2.6					2.4	2.7	2.7	2.7	2.7	2.7	2.7
44	January 2004.....			1.3											1.6	1.8	1.8
45	Other.....	199.9	214.2	227.1	199.9	213.0	194.2	198.6	200.9	205.8	208.6	211.3	214.3	217.9	221.4	224.9	227.4
46	Transfer payments (net).....	907.9	965.4	993.7	931.6	976.7	916.9	927.6	934.1	947.9	978.0	971.2	976.5	981.0	1006.1	998.6	1,002.2
47	To persons.....	894.3	951.7	979.5	917.4	957.0	894.1	917.0	924.4	933.9	950.1	954.9	960.0	962.8	977.6	982.7	988.1
48	Social Security.....	441.1	463.0	481.2	446.9	467.0	442.4	445.5	448.0	451.5	461.9	465.8	469.6	470.5	481.3	483.2	486.6
49	Regular.....	441.1	458.1	467.6	446.9	460.5	442.4	445.5	448.0	451.5	455.5	459.3	463.2	464.1	465.4	467.4	470.7
50	Benefit increases.....		4.8	13.5		6.4					6.4	6.4	6.4	6.4	15.9	15.9	15.9
51	January 2003.....		4.8	6.4		6.4					6.4	6.4	6.4	6.4	6.4	6.4	6.4
52	January 2004.....			7.1											9.5	9.5	9.5
53	Medicare.....	250.9	266.3	283.0	253.0	267.5	247.8	250.8	253.9	259.3	262.5	265.5	268.8	273.1	277.0	283.3	288.3
54	Unemployment benefits.....	51.7	54.3	59.6	53.2	52.3	52.6	52.6	52.6	52.6	59.2	54.1	49.4	46.5	43.4	40.5	37.8
55	Veterans benefits.....	28.3	31.6	33.6	29.3	31.8	28.3	29.0	29.7	30.1	31.0	31.6	32.2	32.5	33.3	33.5	33.7
56	Railroad retirement.....	8.7	9.3	9.1	8.7	9.1	8.6	8.8	8.7	8.7	9.0	9.1	9.2	9.1	9.0	8.7	8.4
57	Military medical insurance.....	2.2	2.2	2.3	2.0	1.9	2.0	2.0	2.0	2.1	2.0	1.9	1.8	1.9	2.0	2.0	2.1
58	Food stamps.....	18.0	20.7	21.6	18.8	21.5	18.1	18.3	18.6	20.2	20.7	21.3	21.8	22.1	22.0	21.9	21.6
59	Black lung benefits.....	0.8	0.8	0.7	0.8	0.9	0.8	0.8	0.8	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8
60	Supplemental security income.....	29.6	32.5	34.4	30.1	32.1	29.7	30.1	30.3	30.1	31.3	32.0	32.4	32.6	33.4	33.6	33.7
61	Earned income and other tax credits.....	32.9	36.8	38.5	33.9	37.8	33.9	33.9	33.9	33.9	37.8	37.8	37.8	37.8	39.6	39.6	39.6
62	All other.....	30.1	34.4	35.7	30.8	35.2	29.8	30.2	30.5	32.6	33.8	35.0	36.1	35.8	35.7	35.6	35.5
63	To rest of the world (net).....	13.6	13.7	14.2	14.3	19.7	22.8	10.6	9.7	14.1	27.9	16.3	16.5	18.2	28.5	16.0	14.2

See footnotes at end of table.

**Table 10. Federal Government Current Receipts and Expenditures, NIPA Framework—Continued**

[Billions of dollars; calendar year and quarters at seasonally adjusted annual rates]

Line		Fiscal year estimates <sup>1</sup>			Calendar year <sup>2</sup>		Quarter <sup>2</sup>											
					Published	Estimated	Published				Estimated							
		2002		2003	2004	2002	2003	2002				2003				2004		
								I	II	III	IV	I	II	III	IV	I	II	III
64	Grants-in-aid to State and local governments .....	297.0	330.6	353.4	305.7	335.8	292.3	309.6	305.0	315.8	326.2	333.4	340.7	342.7	348.8	353.9	361.3	
65	General public service.....	2.3	1.2	0.7	3.1	1.5	2.8	3.8	3.3	2.4	1.8	1.6	1.8	0.9	0.7	0.6	0.7	
66	National defense.....	3.1	3.3	3.6	3.5	3.3	3.6	3.4	3.6	3.3	3.4	3.3	3.1	3.4	3.8	3.7	3.4	
67	Public order and safety.....	4.5	3.3	3.7	3.5	3.3	3.5	3.6	3.6	3.1	3.3	3.3	3.2	3.2	3.5	4.0	4.1	
68	Economic affairs.....	11.3	13.8	13.7	10.8	14.5	9.9	11.5	10.7	11.1	13.4	14.8	15.3	14.4	13.5	13.4	13.2	
69	General economic and labor .....	5.5	7.4	7.2	5.4	7.8	5.3	5.3	5.2	5.9	7.3	8.0	8.2	7.8	7.0	7.0	7.0	
70	Agriculture .....	0.9	1.1	1.0	0.9	1.2	0.9	1.0	0.9	0.7	0.9	1.2	1.3	1.2	1.1	0.9	0.9	
71	Energy .....	1.1	1.2	1.4	1.1	1.3	1.0	1.0	1.0	1.2	1.2	1.3	1.3	1.2	1.4	1.4	1.4	
72	Natural resources .....	2.6	3.1	2.9	2.5	3.2	1.8	3.2	2.5	2.4	3.0	3.2	3.5	3.1	3.0	2.9	2.8	
73	Transportation <sup>3</sup> .....	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
74	Space .....	1.0	1.1	1.1	1.0	1.1	0.9	1.0	1.1	0.8	1.0	1.1	1.0	1.1	1.0	1.2	1.1	
75	Housing and community services.....	13.9	15.5	15.7	14.2	15.4	12.9	14.4	14.3	15.3	14.8	15.4	15.7	15.6	15.5	15.8	15.9	
76	Health.....	166.0	183.9	203.5	169.8	188.6	163.1	171.3	169.2	175.7	182.9	186.4	190.5	194.5	200.5	205.7	213.3	
77	Medicaid.....	147.2	162.2	182.2	150.0	166.7	143.8	152.2	149.2	154.7	161.1	164.5	168.3	172.7	179.1	184.5	192.3	
78	Other .....	18.8	21.8	21.4	19.9	21.9	19.3	19.1	20.1	21.1	21.8	21.9	22.2	21.8	21.4	21.2	21.0	
79	Recreation and culture .....	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.3	0.4	0.5	0.5	
80	Education .....	26.6	34.7	36.6	28.0	33.4	28.2	29.8	26.6	27.3	32.5	33.5	33.8	33.9	34.0	34.3	34.6	
81	Income security .....	69.1	74.6	75.6	72.5	75.4	67.9	71.4	73.4	77.2	73.6	74.8	76.8	76.4	77.0	76.0	75.7	
82	Welfare and social services.....	59.3	61.1	62.4	62.3	62.0	58.4	61.0	63.3	66.6	60.7	60.8	63.1	63.5	64.0	62.8	62.0	
83	Other .....	9.8	13.5	13.2	10.2	13.4	9.5	10.4	10.1	10.6	13.0	13.9	13.7	12.9	13.0	13.2	13.7	
84	Net interest paid .....	217.4	207.8	221.8	207.9	204.6	208.5	214.9	205.8	202.4	201.7	202.6	205.0	209.2	214.0	219.4	225.3	
85	Subsidies less current surplus of government enterprises	39.2	39.1	40.5	43.7	43.8	46.6	46.3	39.9	42.1	43.2	43.8	43.9	44.4	44.7	45.1	45.2	
86	Subsidies.....	37.7	40.1	41.3	45.4	48.0	44.9	45.5	45.0	46.3	47.2	48.0	48.4	48.5	48.7	48.9	48.9	
87	Agricultural .....	12.0	13.3	14.2	21.5	23.2	21.5	21.6	20.8	22.0	22.6	23.1	23.5	23.6	23.7	23.7	23.7	
88	Housing .....	23.5	24.5	25.1	21.9	22.6	21.5	21.8	22.1	22.2	22.4	22.6	22.7	22.8	23.0	23.2	23.3	
89	Other .....	2.3	2.2	2.0	2.1	2.2	2.0	2.1	2.1	2.1	2.2	2.3	2.1	2.0	2.0	2.0	1.9	
90	Less: Current surplus of government enterprises .....	-1.5	1.0	0.9	1.7	4.2	-1.7	-0.7	5.0	4.3	4.0	4.2	4.4	4.1	4.0	3.8	3.7	
91	Postal Service .....	-5.4	-2.8	-4.1	-2.6	-0.9	-5.4	-4.6	0.3	-0.5	-0.8	-0.8	-0.7	-1.2	-1.6	-1.9	-2.1	
92	Federal Housing Administration .....	2.6	3.0	4.1	2.9	3.6	2.8	2.9	3.0	3.1	3.3	3.5	3.6	3.8	4.0	4.2	4.3	
93	Tennessee Valley Authority .....	2.4	2.3	1.9	2.7	2.5	2.9	2.8	2.7	2.5	2.6	2.6	2.5	2.4	2.3	2.2	2.2	
94	Other .....	-1.1	-1.6	-1.0	-1.4	-1.0	-1.9	-1.8	-1.0	-0.9	-1.1	-1.1	-1.0	-0.9	-0.8	-0.7	-0.7	
95	Less: Wage accruals less disbursements .....	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
96	<b>Current surplus or deficit (-) .....</b>	<b>-188.3</b>	<b>-295.2</b>	<b>-301.2</b>	<b>-197.1</b>	<b>-260.1</b>	<b>-145.8</b>	<b>-195.6</b>	<b>-200.7</b>	<b>-246.2</b>	<b>-291.7</b>	<b>-272.0</b>	<b>-246.2</b>	<b>-230.5</b>	<b>-314.6</b>	<b>-286.6</b>	<b>-264.2</b>	
97	<b>Addenda:</b>																	
97	Gross investment <sup>4</sup> .....	105.6	113.1	118.7	107.2	112.6	105.7	107.1	107.9	108.2	110.5	110.7	114.4	114.7	115.9	116.5	119.3	
98	National defense .....	58.7	61.9	64.7	60.9	63.6	59.7	59.6	62.4	61.9	62.8	61.9	64.7	64.9	65.5	65.2	67.0	
99	Nondefense.....	46.9	51.2	54.0	46.3	49.0	46.1	47.5	45.5	46.3	47.7	48.8	49.7	49.8	50.5	51.3	52.3	
100	Consumption expenditures and gross investment.....	679.3	728.0	765.4	693.7	725.8	672.0	688.2	697.7	717.0	725.3	722.9	720.0	735.1	755.4	768.1	777.5	
101	National defense .....	432.6	460.6	480.3	447.5	461.2	431.7	442.1	451.2	464.8	466.6	460.0	453.3	464.7	479.2	487.5	493.3	
102	Nondefense.....	246.8	267.4	285.1	246.3	264.7	240.3	246.1	246.5	252.2	258.7	262.9	266.7	270.4	276.2	280.6	284.2	
103	Capital transfers received (net).....	-17.6	-22.6	-20.1	-19.1	-18.0	-18.3	-21.8	-16.8	-19.4	-19.1	-18.8	-18.9	-15.3	-15.6	-14.9	-15.7	
104	Capital transfers received.....	26.3	20.0	23.2	25.6	24.8	28.5	22.4	28.4	23.1	24.0	23.6	24.0	27.6	28.0	28.1	27.9	
105	Estate and gift taxes.....	26.3	20.0	23.2	25.6	24.8	28.5	22.4	28.4	23.1	24.0	23.6	24.0	27.6	28.0	28.1	27.9	
106	Less: Capital transfers paid.....	43.9	42.6	43.3	44.7	42.8	46.8	44.2	45.2	42.5	43.1	42.4	42.9	42.8	43.7	43.1	43.6	
107	Grants-in-aid to State and local governments .....	43.9	42.6	43.3	44.7	42.8	46.8	44.2	45.2	42.5	43.1	42.4	42.9	42.8	43.7	43.1	43.6	
108	Transportation .....	40.6	38.9	39.5	41.3	39.1	43.4	40.7	41.8	39.2	39.5	38.5	38.8	39.4	40.0	39.1	39.4	
109	Highway.....	30.5	28.9	29.2	31.1	29.0	33.9	30.3	30.4	29.8	29.1	29.1	29.1	28.7	29.4	29.4	29.4	
110	Other transportation .....	10.1	10.0	10.3	10.2	10.1	9.5	10.4	11.3	9.4	10.4	9.5	9.8	10.7	10.6	9.7	10.0	
111	Housing and community services .....	3.3	3.7	3.8	3.4	3.8	3.3	3.5	3.4	3.3	3.6	3.9	4.1	3.4	3.7	4.0	4.2	

1. Fiscal year estimates are the sum of quarterly values not seasonally adjusted and are consistent with the budget proposals.

2. Published estimates, both calendar year and quarters, appear in the NIPA tables 3.2 and 3.7 elsewhere in this issue. BEA's estimate of corporate profits tax accruals for the fourth quarter of 2002 will not be available until the release of the final estimate of gross domestic product on March 27, 2003. The value shown is derived from the budget.

Published estimates for the fourth quarter of 2002, as well as estimates for subsequent quarters, differ from the quarterly estimates in *Budget of the United States Government, Analytical Perspectives, Fiscal Year 2004* because of additional data received after the budget was released.

3. Most transportation grants-in-aid to State and local governments are classified as capital transfers paid (see addenda); however, water and railroad transportation grants are still classified as current account transactions.

4. Gross investment consists of general government and government enterprise expenditures for fixed assets; inventory investment is included in Federal Government consumption expenditures.

Sources: *Budget of the United States Government, Fiscal year 2004* and the Bureau of Economic Analysis. FICA Federal insurance contributions act NIPA National income and product accounts SECA Self-employment contributions act